

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE
COMMONWEALTH OF KENTUCKY

PUBLIC HEARING HAD ON THE 18th DAY OF OCTOBER, 2000, IN
OWENSBORO, KENTUCKY

ADMINISTRATIVE CASE NO. 384

BEFORE THE PUBLIC SERVICE COMMISSION, MARTIN J.
HUELSMANN, CHAIRMAN, GARRY GILLIS, COMMISSIONER, AND
EDWARD HOMES, VICE-CHAIRMAN.

ALLEN McCLUNG & ASSOCIATES
Certified Court Reporters/Videographers
P.O. Box 176215
Covington, Kentucky 41017
859.331.4292
amcclung@fuse.net

1 MR. HUELSMANN: Thank you all for coming.
2 This is Public Service Commission's Administrative
3 Case 384. We're at Owensboro. This is the last of
4 the five hearings that we're having around the state.

5 I'm Martin Huelsmann. I'm chairman of the
6 Public Service Commission. To my right is Gary
7 Gillis, Commission of the Public Service Commission.
8 And vice chair Ed Holmes couldn't be with us today.

9 The PSC is very concerned about the rise in
10 the price of natural gas in the United States and in
11 particular in the Commonwealth of Kentucky. We opened
12 this case to investigate this increase as well as to
13 investigate the availability of the supply and the
14 procurement of gas by our five major local natural gas
15 distribution companies.

16 Today we're here in Owensboro because of
17 Western Kentucky Gas. We intend to look at in the
18 course of these things the recent price increases, the
19 availability of supply for this winter, the future,
20 and look at how gas companies are providing
21 information to help consumers, low-income consumer
22 assistance programs, disconnect policies. In short,
23 this is a fact-finding mission in which we want to
24 hear from all interested parties.

25 The PSC wants to thank Secretary Viola

1 Miller of the Cabinet for Families and Children and
2 Secretary James Bickford for the Natural Resources and
3 Environmental Protection Cabinet and Secretary Ron
4 McCloud of the Public Protection Cabinet of which
5 we're under.

6 The fact the three cabinets of this
7 Commonwealth of Kentucky are working together to try
8 to help the citizens of Kentucky is important and we
9 want to express to them thanks in advance of their
10 testimony today.

11 The ground rules pretty much have been laid
12 and hopefully you have a copy of this, the procedure.
13 We're going to follow this procedure. This is a
14 quasi-judicial proceeding. The person to my left who
15 has that item that he's talking into is a court
16 reporter. His name is Allen McClung and he will be
17 typing a transcript. Anybody who wants to look at a
18 transcript of what happened here as well as any of the
19 transcripts can go to our website, www.psc.state.ky.us
20 and get a copy of the transcript right off the
21 Internet. And you can download it if you so desire.

22 The gentleman to the right -- my right of
23 him with the camera is a person by the name of Adam
24 Rabinowitz and he is digitally videoing the hearing.
25 And that digital will, once again, be placed upon our

1 Internet. And if you want to watch what occurred here
2 tonight you can watch that on the Internet. Both of
3 those will occur probably next Thursday. So within a
4 week you can look at those.

5 We want now to first introduce the parties.
6 And we're going to go to my left and these are members
7 of the Public Service Commission. And would you two
8 introduce yourself?

9 MS. MITCHELL: Yes, thank you. My name is
10 Anita Mitchell.

11 MS. MCGEE: My name's Dawn McGee.

12 MR. HUELSMANN: And Ms. Mitchell is the
13 attorney for the PSC who will be handling this, and
14 she's aided by someone from financial analysis.

15 Next is the intervener. And there's only
16 one intervener here and that intervener is Ms.
17 Chevront from the Attorney General's Office. Would
18 you introduce yourself?

19 MS. CHEVRONT: I'm Ann Louis Chevront with
20 the Attorney General's Office.

21 MR. HUELSMANN: The applicant or the hearing
22 is taking place with Western Kentucky. Would you
23 introduce yourself, sir?

24 MR. HUTCHINSON: Yes, Mr. Chairman, I'm
25 Randy Hutchinson. I'm counsel for Western Kentucky

1 Gas Company.

2 MR. HUELSMANN: I believe that the course of
3 events if they followed normally that we would swear
4 in these four gentlemen who are going to be
5 testifying; is that correct?

6 MR. HUTCHINSON: Yes.

7 MR. HUELSMANN: And I believe that -- then
8 we could ask questions.

9 Gentlemen, after I swear you in, when they
10 ask you questions it will mailing be Ms. Hutchinson
11 -- or Ms. Mitchell and Ms. Chevront. I don't see any
12 other interveners here. If you would state your name
13 and then answer he question. So if you'd stand up
14 please.

15 (WITNESSES BEING SWORN)

16 MR. HUELSMANN: Go ahead.

17 MR. HUTCHINSON: Mr. Chairman, if I could
18 I'd like to introduce Mr. Bill Senter, who is vice
19 president of rates and regulatory affairs for the
20 company. He has a couple of brief opening remarks and
21 then he can introduce the rest of the members of the
22 panel.

23 MR. HUELSMANN: Okay.

24 MR. SENTER: Chairman Huelmann,
25 Commissioner Gillis, Western Kentucky Gas, commends

1 the Public Service Commission for establishing
2 Administrative Case No. 384 to explore the issue
3 surrounding the recent national increase of wholesale
4 gas cost.

5 The rising cost of natural gas is an
6 important societal issue this winter because it
7 touches on the welfare of our customers and the
8 affordability of home heating. To the extent that
9 through this proceeding our customers can become more
10 aware of the fact that wholesale gas costs have risen,
11 that this will result in increased gas bills this
12 winter, and explain why the more likely our customers
13 will be better prepared.

14 We want our customers to be as well prepared
15 as possible. We're sensitive to their concerns and we
16 pledge to work with our customers, the communities we
17 serve, and the commission to help in these
18 preparations.

19 Western Kentucky Gas Company has been a
20 leader in Kentucky in getting the message of higher
21 gas costs out to customers. Early this summer we
22 began to develop a communications program to advise
23 our customers of the fact that wholesale natural gas
24 prices are rising and will result in substantially
25 higher gas bills this winter.

1 We have issued press releases, met with
2 community groups, provided explanatory information in
3 our bill, and equipped our employees with the
4 information necessary to explain to customers what is
5 happening and why, what they can do to better prepare
6 for the winter.

7 We applaud the commission's efforts as well
8 in trying to get the word out. We also applaud the
9 efforts by other parties such as the Kentucky
10 Association for Community Action and its affiliated
11 community action agencies, the Cabinet for Families
12 and Children, and the Division of Energy of the
13 Natural Resources Environmental Protection Cabinet.

14 Before we get into a brief presentation
15 about the underlying cause for the rise in gas costs
16 and our preparations for this winter, we did want to
17 share a couple of things from the outset, if I may.

18 First, Western Kentucky Gas is well prepared
19 to meet the supply requirements of its customers this
20 heating season. We have adequately prepared through
21 our contracting for supplies of natural gas and
22 interstate pipeline capacity. Additionally, our
23 injectional supplies into our own underground storage
24 and storage we hold on interstate pipelines is
25 essentially full at this time. We are confident about

1 the reliability of our gas supplies for this winter.

2 Second, Western Kentucky Gas is a community
3 action partner in the communities we serve. One of
4 the programs we support is the Helping Hand Program,
5 which is administered by the Salvation Army. This
6 program provides funding for persons needing heating
7 bill assistance, including some households which may
8 not otherwise qualify for LiHEAP or other assistance
9 programs. Western Kentucky Gas provides a base level
10 of funds and then matches funds solicited from its
11 customers on a dollar for dollar basis.

12 In recognition of the current situation
13 we're announcing our intent to increase our
14 contributions to the Helping Hand Program up to
15 \$60,000, \$30,000 in base funds and up to \$30,000 in
16 matching funds. This is a doubling of our program.
17 We have prepared a press release on this announcement.
18 We will also work this winter to do more to promote
19 the availability of Helping Hands funds and to
20 encourage our more fortunate customers to contribute
21 more as well.

22 Thirdly, Western Kentucky Gas wants to state
23 that it remains focused on acquiring gas supplies at
24 the lowest possible cost. We want all of our gas
25 costs and all of our services to be as affordable as

1 possible. We pledge our best efforts to continue to
2 do so this winter and beyond.

3 With that statement out of the way, I'd like
4 to present our panel for the evening who will assist
5 in a brief presentation. They are to my left, Mr.
6 Rick Kissinger Vice President of Operations, Mr.
7 Gordon Roy Vice President of Gas Supply, and Mr. John
8 Hack, Director of Gas Supply Planning.

9 Mr. Roy and Mr. Hack will provide an
10 overview of our gas supply operations and the current
11 gas market. Mr. Kissinger and I will then summarize
12 our various customer assistance programs.

13 MR. ROY: Thank you, Bill. Gordon Roy. The
14 first slide -- we have four or five slides from a gas
15 price perspective that we're going to put up and give
16 you some background as to the Western system, the way
17 the system is laid out, and the supply resources that
18 are utilized to supply the requirements of Western's
19 customers.

20 If we take this system map and going from
21 left to right, if you will, or from west to east,
22 Western's market begins in Paducah, Kentucky and
23 extends across central and south central Kentucky.
24 There are five interstate pipelines that Western is
25 connected to to transport -- to obtain gas supplies

1 and to transport gas to Western Kentucky's markets.

2 One of the pipelines is a pipeline, Trunk
3 Line Gas Pipeline which serves part of the Paducah
4 market. The pipeline to the east of Paducah is the
5 Texas Gas Pipeline System. Texas Gas Pipeline is the
6 principal pipeline serving Western Kentucky's markets.
7 And just some of the more major markets served by
8 Texas Gas, the Texas Gas Pipeline are the communities
9 of Madisonville, Hopkinsville, and Owensboro, Bowling
10 Green.

11 Moving on to the east, the next pipeline
12 that originates, if you will, on this particular map
13 right into the south central part of our service
14 territory is the Tennessee Gas Pipeline. And
15 Tennessee Gas Pipeline, we obtain service off of
16 Tennessee for markets that stretch from Glasgow,
17 Kentucky to Danville, Kentucky.

18 We are innerconnected with two other
19 pipelines. One of them is Midwestern Pipeline, which
20 is an El Paso pipeline that comes in from the north
21 from the Chicago area. And another pipeline, A&R
22 Pipeline. A&R is a pipeline that we used to store
23 supplies for storage refills for the most part.

24 We do have firm contracts of four of the
25 five. The contract on A&R is an interruptible

1 contract. And the contract is in place principally to
2 store supply for storage refill purposes.

3 In addition to the pipeline contracts we
4 have -- Western has its own storage fields. And those
5 storage fields, if you can look at those circles --
6 the best way to point it out -- John, why don't you
7 just point it out for us. I believe we have the same
8 information on the map outside the door, but just
9 point out where they are, John. Right there, kind of
10 the center portion of the map.

11 Western has its own storage fields, five
12 storage fields, with capacity of about four and a half
13 billion cubic feet. In addition to Western's storage
14 fields Western has contracts on both Texas Gas and
15 Tennessee Gas Pipelines for storage capacity exceeding
16 five billion cubic feet. This is the Western's
17 service map. Those are the supply assets. We
18 principally store supply, for the most part, coming
19 from the Gulf of Mexico.

20 If we could move on the next slide, Bill. I
21 guess one of the principle reasons we're here tonight
22 is to discuss the information on this particular --
23 this particular diagram, this particular slide. What
24 we've got here is, we went ahead and graphed actual
25 monthly gas supply wholesale prices or gas commodity

1 wholesale prices for the months of October 1999
2 through the month of October of this year. And what
3 you see when you look at this particular graph, if we
4 just start from the left I'll attempt to explain some
5 of the market dynamics that are driving these gas
6 prices, and I'll try to do that fairly briefly.

7 If you look at October and November of last
8 year we're in the \$2.50 to \$3.00 range. And if you
9 recall last winter there was no real early winter. In
10 fact, there was no winter to speak of in October and
11 November. And as a consequence the market reacted to
12 what it believed to be at the time an imbalance
13 between supply and demand. That is that there was
14 more supply than there was demand. And the market
15 reacted properly in that the market fell at that point
16 in time.

17 Now there have been several factors that
18 have developed over the last 12 months that have
19 caused this graph to change directions and move
20 steadily upward. One of the principle reasons for, we
21 believe, for the increase, the dramatic increase in
22 gas prices is that the market believes currently that
23 there's an imbalance between available supplies and
24 the expected demand. The demand has through I guess
25 some announcements of a large number of new gas fired

1 electric generating plants being announced the demand
2 is picking up as well as more electricity is being
3 required for air conditioning loads. And, of course,
4 with the Internet, you know, there's a huge amount of
5 activity as a result of the Internet.

6 In addition to that just a couple of other
7 factors, fairly quickly. In addition to that oil and
8 gas prices have risen. And although there's not a
9 direct correlation between natural gas prices it does
10 have at least a psychological impact on natural gas
11 prices, we believe.

12 The other thing -- two other factors real
13 quick. One, storage. Storage refill has lagged the
14 historical five-year average. So the market has
15 reacted to that. I guess we're to believe that there
16 may not be adequate storage supplies for the winter
17 heating season.

18 And then the last thing -- the last thing
19 from -- and this may be the most dramatic factor that
20 affects gas prices particularly in the winter months,
21 and that is weather. There have been forecasts that
22 weather in certain parts of the country would be at
23 least normal, in some cases colder than normal. So
24 that's what we believe the principle facts affecting
25 gas prices.

1 In Bill's opening remarks he commented very
2 briefly about storage, storage capacity. And a few
3 minutes earlier I commented also about storage
4 capacity. And this slide attempts to, from a
5 reliability standpoint, explain, graphically explain
6 what Western's resources are to meet peak demands, to
7 meet seasonal demands. And looking across the charts
8 and across the chart and across the bars, Western, for
9 the most part, is able to meet both its peak day and
10 its winter seasonal requirements with not quite half,
11 but about 45 -- 43 to 45 percent of its requirements
12 can be met with storage. And that should be a strong
13 support, if you will, for reliability.

14 And this is just another just a different
15 type of way to present it with regard to the mix
16 between actual flowing gas purchase requirements
17 compared to gas that's already been stored and in the
18 ground and ready to come out as soon as the load
19 appears.

20 The last slide that I'm going to comment on
21 is -- what we put up here is the natural gas rig
22 count, the number of rigs that are working, looking,
23 exploring for natural gas. And I guess the importance
24 of this slide -- and what the slide shows us -- if
25 you'll recall, one of our -- the price line we put up

1 there indicates a much lower gas prices last year at
2 this time. And what happened, the way the market
3 reacted to the lower gas prices is investors were not
4 willing -- exploration companies were not willing to
5 invest capital to go search for gas for gas supplies
6 that would generate \$2.00 prices for them.

7 Now with gas prices the way they are today
8 these producers are trying to -- you know, they are
9 taking out of mothballs every rig that they can find.
10 And as a consequence the number of rigs or the rig
11 count has increased dramatically. And the number that
12 we have up there at the far right-hand side of the
13 chart is 779. That's somewhat of a dated number.
14 That's a number from probably about five or six weeks
15 ago. And just last week the actual rig count looking
16 for and searching for natural gas supplies is about
17 825. So the rig count continues to go up.

18 I guess the significance, of that being
19 we're talking about market and how the market is
20 reacting, with gas prices the way they are this rig
21 count is going to stay high for -- should stay high
22 for an extended period of time. And we fully expect
23 with the additional rigs out there working and
24 searching for gas that that should bring more supply
25 to the market.

1 The consequence we think of that or the
2 result we think of that is, what we expect to see is
3 these new supplies are brought into the marketplace is
4 a softening of gas prices.

5 And I guess from a personal prediction
6 standpoint, you know, when do we expect to see that
7 softening occur, it's hard to say. A lot of that
8 depends on what happens this winter and how, you know,
9 how cold of a winter we have. But, you know, we would
10 expect that it could maybe as early as next summer we
11 may start to see some softening of prices.

12 MR. SENTER: Bill Senter. We have a number
13 of customer assistance programs that Mr. Kissinger and
14 I would just like review with you as the conclusion of
15 our initial prepared remarks.

16 I've just discussed previously the Helping
17 Hand Program, which is administered through the
18 Salvation Army, which we've announced the additional
19 funding for. So I don't need to mention any more
20 about that.

21 The WKEG Cares Program is a program that
22 provides annually \$200,000 in low-income heating --
23 excuse me, low-income weatherization support for
24 eligible recipients. That program approved by the
25 Public Service Commission last year and that program

1 is administered through the Kentucky -- well, it's
2 administered by Western Kentucky Gas but it's also
3 administered through the assistance of the Kentucky
4 Association for Community Action and their affiliated
5 community action agencies in the 38 counties in which
6 we serve.

7 The agencies take on the very important
8 responsibility of interviewing recipients, getting
9 their eligibility requirement information confirmed,
10 contracting with the -- to do an energy audit and to
11 do contracting with the contractors who then go into
12 the homes and actually provide the weatherization,
13 weather stripping, insulation, whatever it might be
14 for these person's homes.

15 On average, the amount of money spent per
16 weatherization project is approximately \$1,500 and
17 that program is a program that's currently approved
18 for three years and it provides \$200,000 of funding
19 annually.

20 MR. KISSINGER: Rick Kissinger. I'm going
21 to spend a few minutes describing the rest of these
22 assistance programs. Western Kentucky Gas does offer
23 a budget-billing plan to all of our residential and
24 commercial customers. Basically our budget-billing
25 plan is designed to level out the highs and lows that

1 a customer may experience in their monthly gas bill.
2 The plan is available to the customer any time of the
3 year. They just have to call our customer support
4 center 24 hours a day, seven days a week to enroll in
5 the plan. The plan year does go from May to April
6 with a true up period in April.

7 LiHEAP, Western does work with LiHEAP
8 dollars. If a customer were to apply to LiHEAP, which
9 is a federally funded program, we really try to get
10 our customers to talk to us about -- if they're having
11 difficult time paying their bills we try to get them
12 to talk to us first to see if we can work out a
13 payment arrangement with them. We can -- we will
14 recommend various assistance programs to them like
15 LiHEAP.

16 It's available to our customers from
17 November to December if they meet the requirements,
18 the economic requirements set forth by LiHEAP. The
19 way this works is the LiHEAP program sends a voucher
20 to our customer support center, which enables us to
21 keep the customer in service while we work out a
22 payment arrangement with them.

23 Western also offers a winter hardship
24 reconnect. If a customer were disconnected for lack
25 of payment, Western, if the customer goes to the

1 Cabinet for Family and Children and is eligible to
2 receive a certificate of need, Western would recognize
3 that and allow the customer to have their service
4 restored for one-third or \$200 of their bill,
5 whichever is less. We would then set them up on a
6 payment arrangement. That payment arrangement would
7 -- they would be eligible to pay on that payment
8 arrangement up until October of the next year.

9 Thirty day extension, it works very similar.
10 If a customer is getting ready to be terminated, if
11 they get a termination notice and they, again, are
12 able to bring a certificate of need to us indicating
13 that they are unable to pay their bill immediately, we
14 will grant them a 30 day extension while they seek
15 funding from or assistance from another program.

16 Additionally, we will -- that too, we will
17 set them up on a payment arrangement. That too will
18 be available to them to pay until October of the
19 following year.

20 Western -- and I've talked about payment
21 arrangements in these other programs and Western does,
22 is very concerned about making sure our customers are
23 taken care of. And we're concerned if they're having
24 a difficult time paying their gas bill that we're very
25 willing to set them up on payment arrangements.

1 Typical payment arrangement is we would require a
2 customer to pay half of their bill and we would spread
3 the rest of it over three-month period. That's all I
4 have.

5 MR. HUTCHINSON: Mr. Chairman?

6 MR. HUELSMANN: Yes.

7 MR. HUTCHINGSON: They're open for
8 questions.

9 MR. HUELSMANN: Thank you. So that the
10 people in the audience know, each one of these gas
11 companies has submitted to us responses to data
12 requests. And so we have a significant amount of
13 information on them already, which we ask of them and
14 they responded and these are supplemental questions.

15 Before we get to those we want to
16 acknowledge Representative Nessler is here and thank
17 him for his attendance and if he would participate
18 later we would appreciate that. Thank you.

19 PSC staff, Ms. Mitchell?

20 MS. MITCHELL: Thank you. I believe Mr.
21 Senter and Mr. Roy both covered the issue of the
22 supply/demand, that you believe you have sufficient
23 supply to meet your customers demands this winter and
24 you also mentioned that in your data request that we
25 issued on September 12th. But is there a worse case

1 scenario under which Western might not be able to meet
2 its customer demand this winter?

3 MR. HACK: John Hack. Western doesn't see
4 any difference in its supply planning for the upcoming
5 winter as compared to previous winters. We do feel
6 very confident that we have sufficient supply and firm
7 transportation to meet both the seasonal and a peak
8 day requirement.

9 MS. MITCHELL: Thank you. Have any of the
10 marketers or supplies with whom Western currently
11 contracts for natural gas supplies through Woodward
12 ever failed to deliver gas supplies to your system?

13 MR. ROY: Gordon Roy. No, they have not.

14 MS. MITCHELL: And I guess you're satisfied
15 that they won't fail this year either?

16 MR. ROY: Yes, we're satisfied that they
17 will be able to deliver according to contract.

18 MS. MITCHELL: Thank you. Are you aware of
19 any potential bottlenecks in the delivery system from
20 the wellhead to the city gate that might prevent the
21 delivery of adequate supplies?

22 MR. HACK: John Hack. No, we're not.

23 MS. MITCHELL: Has Western reviewed its
24 curtailment procedures for the coming heating system,
25 and if it has do you feel like they're adequate?

1 MR. HACK: John Hack. Yes, we have reviewed
2 the curtailment procedures and we do feel that they
3 are adequate.

4 MS. MITCHELL: For the benefit of the
5 members of the public that are here tonight, can you
6 identify the different components of Western's
7 wholesale gas cost and explain to the extent to which
8 they are regulated?

9 MR. SENTER: Bill Senter. Western Kentucky
10 Gas wholesale gas costs are composed of three main
11 components: commodity gas, pipeline capacity and
12 transportation.

13 Commodity gas, if you will, are the actual
14 molecules themselves. Commodity gas is traded in a
15 deregulated in national commodity market. The price
16 of natural gas was deregulated on a national level in
17 the late 1980s.

18 Pipeline capacity, the right to ship a given
19 volume of natural gas on interstate pipelines, the
20 price for pipeline capacity is regulated by the
21 Federal Energy Regulatory Commission.

22 Thirdly, transportation, the cost to
23 transport natural gas along the pipeline, the price
24 for pipeline transportation is federally regulated as
25 well by the Federal Energy Regulatory Commission.

1 MS. MITCHELL: Thank you. With regard to
2 the natural gas that Western currently has under
3 contract, how do you determine that the contract is
4 prudent and reasonable? In other words, what
5 benchmarks or industry standards do you use?

6 MR. ROY: Western purchases its gas under
7 nationally recognized industry benchmarks. And those
8 benchmarks -- there are typically four benchmarks.
9 The New York Mercantile Exchange, which is the
10 commodity future's market, we purchase gas on the
11 first of the month basis and the indices are reported
12 in publications like Inside F.E.R.K. And we also
13 purchase on a daily basis. Those prices are reported
14 in a publication called Gas Daily.

15 MR. HUELSMANN: That was Mr. Roy?

16 MR. ROY: Yes. I'm sorry.

17 MS. MITCHELL: In item four of the response
18 to the Commission's Data Request, Western compares the
19 customer's average bills in January of 2000 with what
20 those bills would have been based on the rates in
21 effect of September 1, 2000. Based on January's
22 average monthly usage of 14.2 MCF this comparison
23 shows that a residential customer's bills would
24 increase from \$66.80 to \$105.54. Is it correct that
25 the only changes in rates from January 2000 to

1 September 2000 result from the increases in Western's
2 wholesale gas cost?

3 MR. SENTER: Bill Senter. Yes, the increase
4 since January reflects increases in Western's
5 wholesale gas cost only.

6 MS. MITCHELL: Item five of the response to
7 the Commission's Date Request indicates that a
8 subsidiary of Western's parent company owns 45 percent
9 interest in Woodward Marketing that now manages
10 Western's gas purchases. For the record in this
11 proceeding will you briefly describe Western's PBR
12 mechanism and the role Woodward Marketing plays in
13 conjunction with the PBR?

14 MR. ROY: Gordon Roy. First off, PBR stands
15 for performance based rate mechanism. And the intent
16 of a performance based rate mechanism is to, I guess,
17 create a framework that allows the utilities to change
18 maybe their historical practices with the intent of
19 being able to purchase supplies and other supply
20 services at prices that could be below market or
21 prices that are more economical than their typical or
22 historical arrangements.

23 Western's PBR consists of four principal
24 components. One is the commodity component, that is
25 there's a benchmark established based on the indices

1 that I described just a few minutes ago which is the
2 benchmark to determine whether Western's actual
3 commodity purchase costs are equal to, above or below
4 the benchmark.

5 The second component of Western's PBR is the
6 pipeline transportation cost component. And
7 essentially the way that works is under the pipeline
8 transportation cost component the pipelines rates and
9 tariffs are governed and regulated by the Federal
10 Energy Regulatory Commission. And to the extent that
11 Western in its contracting for pipeline services is
12 able to contract for those services at below the
13 tariff rates establish by F.E.R.K. then any of those
14 savings are flowed through Western's PBR mechanism and
15 shared both with the costumers and Western's
16 shareholders.

17 The third component of the PBR is an off
18 system sales component. And essentially the way that
19 operates is if Western is able to, when Western is not
20 needing supplies of gas, market those gas supplies off
21 its system, any profits made from the marketing of
22 those, let's just call them excess supplies, any
23 profits made from the marketing of those excess
24 supplies those profits would be split between Western
25 and Western's shareholders.

1 The last component of Western's PBR is a
2 capacity release component, and I should say that it's
3 a pipeline capacity release component. And the way it
4 operates is there are times, particularly in the
5 summer months, when Western does not need for its own
6 use all of the pipeline capacity that it has
7 contracted for for its customer's requirements. The
8 pipeline capacity is being contracted for principally
9 to serve Western's peak day requirements on the
10 coldest day of the winter. That's when Western's
11 customers loads are their highest. So when we're not
12 using that capacity, which I said was typically in the
13 summer months, we go out and we resell that capacity
14 back into the marketplace. And the way the PBR
15 operates with capacity release is that the capacity
16 release or the ability to release capacity was
17 implemented by F.E.R.K. prior to implementation of
18 Western's PBR. So the way Western's PBR was set up is
19 Western's historical performance was measured and
20 documented and then the PBR, to the extent that
21 Western can exceed its historical performance with
22 regard to capacity release, then Western and its
23 customers share with the revenues derived from
24 exceeding its historical performance.

25 MS. MITCHELL: Will you also tell us --

1 first of all, can you tell us -- you said they share,
2 can you tell us what percentage of sharing that is?

3 MR. ROY: Yes, it's a 50/50 sharing
4 percentage. And anything that occurs above -- any
5 cost incurred above the benchmark -- if you want to
6 consider that cost to be a loss, if you will, in a
7 particular transaction, Western's customers would bear
8 50 percent of that cost and the Western itself would
9 bear 50 percent of that cost if you assume that the
10 benchmarks are market prices.

11 So the sharing on profits occurs when
12 Western is able to beat the benchmarks and then the
13 sharing is on a 50/50 basis.

14 MS. MITCHELL: Okay. On the second part of
15 that, my original question, I wanted to know what the
16 role of Woodward Marketing plays in conjunction with
17 the PBR. Did you explain that and I missed it or --

18 MR. ROY: Gordon Roy. Let me -- let me give
19 maybe a little bit more of an explanation with it.
20 What Western was able to do after the PBR was
21 approved, Western strategized about maybe the most
22 opportune way to maximize, if you will, the potential
23 of the PBR. And Western concluded that the best way
24 to do that was to put up for bid or put out for bid
25 and search in the competitive marketplace for someone

1 who was willing to manage Western's gas purchase
2 requirements, as well as Western's gas transportation
3 requirements, as well as Western's capacity to release
4 requirements.

5 And what resulted from the competitive bid
6 process was a contract with Woodward Marketing
7 Company. Woodward manages Western's storage, manages
8 Western's pipeline capacity, does the capacity release
9 activity, and arranges for supply purchases for
10 Western.

11 MS. MITCHELL: Will you describe, generally,
12 what Western foresees as the advantages and
13 disadvantages of this arrangement?

14 MR. ROY: The principle -- Gordon Roy again
15 -- the principle advantages under this arrangement --
16 what Woodward is able to do, under this contract
17 structure, Woodward is the aggregator of all of
18 Western's supply purchase requirements. And I guess
19 the analogy that I would use there just very briefly
20 is it's kind of the bulk buying power analogy here,
21 and that is being able to search the marketplace and
22 be able to obtain the best possible deals with gas
23 purchase requirements.

24 There are some other advantages that are
25 maybe not as important as the one that I just

1 described like ease of administration, one contract to
2 administer and those kinds of things.

3 And I guess one other advantage Woodward --
4 if we think about Woodward, Woodward is in the
5 marketplace and has markets that are off Western's
6 system, both south of Western's system and north
7 Western's system. Western did not have those markets
8 in place and Western never had the ability, if you
9 will, to search and find those markets. So by
10 Woodward managing the contract and the assets,
11 Woodward has pre-established markets that Woodward can
12 market to that Western did not have.

13 MS. MITCHELL: You've stated all the
14 advantages you've described. Do you see any
15 disadvantages to it?

16 MR. ROY: Gordon Roy again. So far we have
17 been very please with, I guess, the results that have
18 been produced with the PBR. And, you know, we haven't
19 been able to identify specifically any disadvantage to
20 the PBR under this arrangement.

21 MS. MITCHELL: In your opinion, are the
22 prices that Western pays Woodward subject to the
23 affiliate transaction pricing rules contained in House
24 Bill 897?

25 MR. SENTER: Bill Senter. Ms. Mitchell, our

1 legal counsel has advised us that this legislation
2 does not apply to this situation.

3 MS. MITCHELL: Mr. Hutchinson, would you
4 mind submitting something to explain your position on
5 that to the commission?

6 MR. HUELSMANN: I guess what she's asking is
7 if we would call a data request would you mind
8 producing that? And you can produce it under
9 confidentiality agreement if you so desire.

10 MR. HUTCHINSON: Yes, we will do that.

11 MS. MITCHELL: Thank you. Can you provide
12 an overview of Western's disconnection policies and
13 the type of modified payment or partial payment plans
14 available to customers that have difficulty paying --
15 I believe you described -- I believe you've pretty
16 much taken care that. I think that's fine. I think
17 you took care of it in your presentation.

18 Have you considered any tentative plans or
19 contingency plans to liberalize any of your
20 disconnection policies or payment plans if the
21 increase in gas prices significantly increases this
22 winter?

23 MR. KISSINGER: Rick Kissinger. As always,
24 Western is very concerned about our customers ability
25 to pay their bill and in the past we've always worked

1 very, very closely with our customers helping them set
2 up payment arrangements, directing them to the proper
3 agencies for assistance. We've been sensitive to our
4 customer's needs and we will continue to do so.

5 MS. MITCHELL: In response to item seven of
6 the Commission's Data Request identifies various
7 assistance programs for low-income customers while the
8 response to item nine discusses a universal service
9 fund as a possible means for providing assistance to
10 low-income customers. Can the PSC interpret the
11 response to item nine to mean that Western would
12 support a universal service fund that would be put
13 into place only with enabling legislation?

14 MR. SENTER: Bill Senter. Well, first of
15 all, we support the concept of a universal service
16 fund. We support the route of using enabling
17 legislation as a matter of law. However, as a matter
18 of policy we would not oppose any action by the
19 commission to implement a well-designed universal
20 service fund without enabling legislation.

21 MS. MITCHELL: Does Western envision that a
22 universal service fund would complement the programs
23 currently available or would -- do you envision they
24 would replace these programs?

25 MR. SENTER: Well, we envision a fund that

1 complements those programs. It's our hope that --
2 what we'd like to see is that the minimal amount of
3 money put into the administration of the programs and
4 the maximization of the amount of money directly
5 benefiting those in need.

6 MS. MITCHELL: I believe you thoroughly
7 described your budget payment plan that you have in
8 place currently, and you state that -- isn't it
9 correct that they can enroll at any time during the
10 year?

11 MR. KISSINGER: Rick Kissinger. Yes, it is.

12 MS. MITCHELL: Can you tell us what
13 percentage of Western's customers have enrolled in its
14 budget plan?

15 MR. KISSINGER: Approximately 11 percent.

16 MS. MITCHELL: Eleven?

17 MR. KISSINGER: Um-huh.

18 MR. GILLIS: In your presentation did I
19 understand, Mr. Kissinger, that the budget billing is
20 from May to April or did I misunderstand that?

21 MR. KISSINGER: Yes, the budget billing year
22 is from May to April.

23 MR. GILLIS: With a true up in April?

24 MR. KISSINGER: A true up in April.

25 MR. GILLIS: Okay.

1 MS. MITCHELL: Has Western stepped up its
2 efforts to promote the budget billing plan?

3 MR. KISSINGER: Rick Kissinger. Yes,
4 Western has initiated several press releases over the
5 past couple of months indicating and letting our
6 customers know about the increases in gas costs. In
7 each one of those press releases we have given our
8 customers some alternative ways to, I guess, save on
9 energy costs.

10 One of the things that we mention in each --
11 or we do mention budget billing in each one of those
12 press releases. Additionally, we've made numerous
13 civic club presentations. In each one of those we do
14 the same thing when we are addressing public or civic
15 groups about the increase in gas costs, in each one of
16 those we also recommend budget billing.

17 Additionally, we send out a bill stuffer
18 describing the budget bill plan annually. And as
19 recently as the October billing we had a -- and there
20 are some copies of this on the table out front -- but
21 we sent out a letter from our president that describes
22 the increase in gas cost and also on the back tips for
23 staying warm this winter. And one of the tips are to
24 encourage our customers to get on budget bill.

25 MS. MITCHELL: Western's most recently

1 approved gas cost adjustment went into effect October
2 1 of this year. Did the budget amounts established
3 for Western's customers reflect the increased rates
4 from the PSA?

5 MR. KISSINGER: Rick Kissinger. No. Budget
6 bill amounts are based on the customer's billing
7 history. And since Western's budget billing starts in
8 May that wasn't that case. But we did, however, at
9 that time apply -- we were expecting the increase in
10 gas cost, we did at that time in May add a 20 percent
11 increase to budget bills at that time in anticipation
12 of the high gas cost. Additionally, we're planning on
13 another adjustment in November.

14 MS. MITCHELL: Referring to the response to
15 item 11 of the Commission's Data Request, is it
16 correct to say that Western believes that deferring
17 gas cost recovery until a point in the future could be
18 risky for the utility due to the time lag in
19 recovering these costs?

20 MR. SENTER: Bill Senter. Yes. We equate
21 risk to cost at any time -- any increased time lag
22 only increases the financing costs associated with it.

23 MS. MITCHELL: From a regulatory
24 perspective, does Western advocate an approach that
25 allows the wholesale natural gas market to determine

1 retail prices?

2 MR. SENTER: Yes.

3 MS. MITCHELL: An energy adventure analysis
4 in an August 29, 2000, report suggests that in the
5 event of a severe winter wholesale prices could reach
6 \$12 in MCF, more than double the current prices.
7 Would Western suggest letting the market dictate
8 retail prices if there were significant increases in
9 wholesale prices above the levels presently being
10 experienced?

11 MR. SENTER: Bill Senter. Western believes
12 that the market should and does dictate wholesale gas
13 prices.

14 MS. MITCHELL: Western's response to item
15 six indicated that since the implementation of its gas
16 procurement PBR Western has achieved a savings of over
17 four million over that last 25 months. Just to
18 clarify this, is this figure a total savings or the
19 savings the customer's have realized?

20 MR. SENTER: That figure is customer savings
21 since July 1, 1998, that's over four million dollars.
22 The total savings is twice that or over eight million
23 dollars.

24 MS. MITCHELL: And can you tell us what the
25 amount of savings through the end of September 2000?

1 MR. SENTER: Yes, based on preliminary
2 figures that number is 4.2 million or 8.2 million.

3 MR. HUELSMANN: And all of that will be
4 returned to the consumers?

5 MR. SENTER: Well, half goes to the
6 consumers, half goes to Western's shareholders.

7 MS. MITCHELL: Item ten of Western's
8 response indicates that Western is not engaged in any
9 hedging activities and has no immediate plans to do so
10 because Western believes that the benefits of such
11 activities are unclear and the recovery of the upfront
12 cost is uncertain; is that correct?

13 MR. SENTER: Bill Senter. Yes.

14 MS. MITCHELL: Can you explain what upfront
15 cost Western is referring to?

16 MR. ROY: Gordon Roy. Hedging -- let me
17 just start this way, hedging is a very complicated
18 process. There are different objectives that you try
19 to accomplish with hedging and let me name two or
20 three of them to start with.

21 One objective with hedging may be to attempt
22 to cap prices, that is, prevent prices from exceeding
23 let's say a desired level that you have in mind. And
24 you may do that -- one of the ways to do that -- there
25 are a couple of ways to do that, as a matter of fact.

1 One way to do it is to buy futures contracts
2 at a predetermined price. Another way to do that is
3 to buy an option, a call option. Upfront cost, a call
4 option in today's market for gas for next month if
5 you're looking for a call option at let's say \$5.50
6 that call option might cost 50 or 60 cents just to
7 have the right but not the obligation to buy the gas
8 at that price. That's an example of an upfront cost.

9 In the case of a futures contract, there are
10 contract cost with a future's contract. And with
11 prices the way they have risen dramatically those
12 costs have increased somewhat. And I don't recall
13 precisely, but it could be like half a cent per MMBTU
14 for a future's contract. I guess the old amount was
15 from two tenths to three tenths of a cent per MMBTU.
16 That's one objective and that's how you would meet
17 that objective, that is to protect against volatility.

18 You may have another objective with hedging,
19 and a second objective with hedging would be if you're
20 a seller. For example, what you may want to do to
21 protect yourself from price changes is you may do some
22 hedging if you're selling gas on a fixed price basis
23 to a customer to protect yourself against market
24 movement and market movement the wrong way against you
25 what you do to lock in the margin in you hedge it.

1 And that is you would go out and do the same thing --
2 some of the same things that I've just described.
3 That is, you could buy call options, you could buy
4 future's contracts, you could do several other things
5 and there would be costs associated that.

6 And then there's hedging for, I guess,
7 sometimes for the purest of reasons. I'll give a
8 third example of hedging for the purest of reasons.
9 The third example would be is if you're an investor
10 and you wanted to speculate in the marketplace. That
11 is, if you wanted to make an investment or take a
12 position in the marketplace like you would in the
13 stock market, then what you'd do is you go in and you
14 try to predict which way you think the market goes and
15 you do some hedging to parade the opportunity for
16 yourself to make money if the market rises in the
17 direction or falls in the direction that you would
18 hope it would do.

19 Those are three examples. And one way to do
20 that is -- one simple way to do that is just to buy
21 futures contracts and when you buy futures contracts
22 what you're expecting if you expect to hold onto those
23 futures contracts is that you expect the future price
24 of gas reflected in futures contracts to increase.
25 And then you pocket that difference, depending on at

1 what point in the market you would elect to sell those
2 contracts.

3 So that's hedging. All of them have costs
4 associated with them. Some have more costs than
5 others. Call options are very expensive compared to
6 futures contracts.

7 MR. GILLIS: That's about as good an
8 explanation as I've heard of hedging. Under what
9 conditions would it be prudent for a gas company to
10 hedge as far as buying gas?

11 MR. ROY: Well, let me -- if we just think
12 about Western supply portfolio. Western supply
13 portfolio is made up of about 45 percent storage gas.
14 And Western views that storage gas as being what I'll
15 call a natural hedge. That is, that we're buying gas
16 and on a traditional and historical basis we've been
17 able to buy gas in the summer months when prices have
18 typically been their lowest, inject that gas in the
19 ground, and then bring it out in the winter time when
20 prices have come up. So that's a natural, if you
21 will, kind of a natural hedge.

22 So Western's waiting then is 45 percent
23 hedged then, if you will, and 55 percent market. Now
24 that is a fairly good balanced portfolio. If you
25 think of a portfolio that would allow customers the

1 opportunity of falling gas prices for them to
2 participate in a market like that. And if you think
3 back to the slide I put up showing December of '99
4 prices. December of '99 the gas price was \$2.12. At
5 Western, for example, in September or October locked
6 in gas costs at \$3.00 then when the market fell,
7 depending on the percentage that it locked it, then
8 when the market fell then we would have been locked in
9 at buying gas at that price and flowing through cost
10 to our customers that are greater than market.

11 So Western -- the kind of simple and short
12 answer for Western, Western's approach to hedging
13 would be to have a balanced portfolio. That is, give
14 customers protection from spiking prices and volatile
15 gas prices. But at the same time give customers the
16 opportunity to participate in a market when the market
17 is on the decline.

18 MS. MITCHELL: I have no more questions.

19 MR. HUELSMANN: Ms. Cheuvront?

20 MS. CHEUVRONT: Thank you. Ann Louis
21 Cheuvront with the Attorney General's Office. I
22 didn't realize -- I guess you take something for
23 granted when you hear it all the time and you think
24 you know it that it's really clear. After hearing
25 some of the comments in Louisville I think something

1 wasn't clear so I want to get it clear here.

2 The rate increase that we're seeing, this is
3 totally out of the control of the PSC, isn't it?

4 MR. SENTER: Bill Senter. The whole -- the
5 increase in wholesale gas cost that we've incurred and
6 therefore passed along to our customers, yes, they're
7 outside the control of the Public Service Commission.

8 MS. CHEUVRONT: And it's just passed
9 through, you're not any profit off of this?

10 MR. SENTER: That's correct.

11 MS. CHEUVRONT: Which will lead me to
12 benchmark which I don't like to get into because I
13 still don't understand it, and I think you had the
14 same explanation as LG&E did.

15 I think I heard -- who knows -- that you
16 said that you assume that you're using market prices.
17 So does your benchmark -- is your benchmark set by
18 whatever that prices are, so the fact that they've
19 increased now that will change your benchmark?

20 MR. ROY: The actual benchmark itself, the
21 mechanism, is a predetermined mechanism, okay, which
22 tracks market prices; and that it NYMEX, Inside
23 F.E.R.K., Gas Daily, Natural Gas Week. Those are the
24 four benchmarks that we use in the basket for the
25 benchmarks.

1 So the benchmarks -- the real market price
2 of gas is determined on a daily, monthly -- you know,
3 it could be determined on a future's basis. And those
4 prices change to track the market and track what the
5 market thinks is going to occur. So Western's
6 benchmark then, kind of from a practical standpoint,
7 are the benchmarks in PBR's in gas money PBR's. Those
8 numbers move.

9 Now what Western would hope -- is attempting
10 to achieve as those numbers move up or down, Western
11 is attempting to beat the benchmarks, be better than
12 what those benchmarks are. And by being better than
13 what those benchmarks are, Western is able to capture
14 savings that Western shares with its customers.

15 MS. CHEUVRONT: So the fact that the
16 commodity's prices are going up it's not really going
17 to penalize the customers or help the shareholders
18 any?

19 MR. ROY: Right. The best way for me to
20 answer that is the performance of the benchmark, the
21 performance of the benchmark based on what we have in
22 place from a contractual standpoint will continue is
23 the best way to describe that.

24 MS. CHEUVRONT: Do you have a penalty phase
25 in your PBR?

1 MR. ROY: There is a built in -- the PBR is
2 symmetrical in this regard, the benchmark -- the
3 benchmarks in the PBR are preset. If we exceed the
4 benchmarks, that is, if our costs are higher than
5 those indexes that I just described, then Western eats
6 half of that and then customers are responsible for
7 the other half. So it's symmetrical and it works the
8 same way up or down. We get 50 percent of the good
9 and 50 percent of the bad.

10 MS. CHEUVRONT: And the price that's
11 changing is not going to affect that any either?

12 MR. ROY: Yes, that's correct.

13 MS. CHEUVRONT: I don't know if you can do
14 this briefly, but can you explain how it's possible
15 that you can beat the tariff prices?

16 MR. ROY: Gordon Roy. And if I may clarify
17 you said tariff crisis?

18 MS. CHEUVRONT: I thought that's what you
19 said. Is that not what you said?

20 MR. ROY: No, I don't think I did.

21 MS. CHEUVRONT: I thought you said to get
22 your PBR you were able to contract under tariff
23 prices.

24 MR. ROY: Well, if I said that I misspoke.
25 I'm sorry.

1 MS. CHEUVRONT: Okay.

2 MR. ROY: What we did with the PBR, once the
3 PBR was approved we went out and shopped the market
4 through a competitive bid process. And essentially
5 what we did is we put all of our assets up to attract
6 bidders to come in and manager those assets for us.
7 And what we were able to do, the way that was
8 structured, is we're able to attract bids for -- from
9 venders who are willing to sell gas to us below market
10 in exchange for the opportunity to manage those
11 assets.

12 MS. CHEUVRONT: On the commission's question
13 number six where they were talking about how you
14 determine a contract is prudent and reasonable. It
15 sounded real familiar being the fifth hearing, so
16 basically the question is, you performed just, if you
17 know, like other gas utilities? What you do is not
18 out of line, everybody is pretty much looking at the
19 same benchmarks or the same magazines and nationally
20 recognized numbers?

21 MR. ROY: Well, in addition to that what I
22 would add to that is from a prudent standpoint and
23 from a reasonableness standpoint, you know, one of our
24 primary concerns is reliability of supply and that gas
25 is going to be there on the coldest day of the year.

1 And from -- I guess from a diligent standpoint
2 Woodward is -- all Woodward is, Woodward is a
3 marketer. Woodward is not an exploration and
4 production company, doesn't have its own production
5 gas. And addition diligence that we go through is to
6 see what's back behind that contract and who are the
7 suppliers providing service to that -- to meet, you
8 know, the requirements of that contract.

9 In one of the data requests I think we named
10 some of the produces and some of the major companies.
11 And these are major, national companies who have
12 tremendous reputations in the business.

13 MS. CHEUVRONT: But you're using the same
14 benchmarks and industry averages that everybody uses?

15 MR. ROY: Well now I'm not quite sure.
16 Maybe Bill can speak to this about benchmarks in the
17 PBR. Benchmarks in the PBR could be slightly
18 different between us and other Kentucky LDC's, the
19 benchmarks and the PBR, because we're not all the
20 same. We're not structured the same way. We don't
21 have the same supply portfolios. But the actual
22 purchase price benchmarks, the Inside F.E.R.K., the
23 Natural Gas Week, The Gas Daily, and NYMEX, those are
24 all the same for everybody.

25 MS. CHEUVRONT: On your budget you said that

1 you're going to make an adjustment in November. Is
2 that normal --

3 MR. KISSINGER: Rick Kissinger.

4 MS. CHEUVRONT: -- or are you just doing
5 that because of these prices going up?

6 MR. KISSINGER: Western always makes an
7 annual budget billing increase, and this year will be
8 in November.

9 MS. CHEUVRONT: So you don't --

10 MR. KISSINGER: I'm sorry, not an increase,
11 I said increase, I mean adjustment not increase.

12 MS. CHEUVRONT: We just happen to know it
13 may be increase this time. So you just do it, I guess
14 -- about six months --

15 MR. KISSINGER: We call them mid year
16 adjustments is what we call them.

17 MS. CHEUVRONT: Because some utilities do
18 them quarterly. But you do it every November?

19 MR. KISSINGER: We typically do an annual
20 adjustment.

21 MS. CHEUVRONT: In your answer to question
22 number two you said that as of September 1st your
23 storage inventory was 93 percent of full capacity. Is
24 that normal for that time of year?

25 MR. ROY: Yes. In fact -- Gordon Roy again

1 -- in fact, we might be a little more -- we may have a
2 little bit more inventory as of September 1st. But,
3 obviously, our objective is to be full by the end of
4 October.

5 MS. CHEUVRONT: Are you there?

6 MR. ROY: We are just about there. We're
7 probably in the high 90 percentile. One of the
8 things, when we say, essentially full, or when we say,
9 operationally full -- and this may be more information
10 than you're asking me for, but I'll tell you -- what
11 occurs to us from a supply standpoint that we're
12 trying to plan for is we're trying to plan for normal
13 weather starting November 1. That most often never
14 happens that way.

15 So what we have to do is, you know, we're
16 scheduling gas supplies to flow and what we try to do
17 is leave a little space in our storage fields so that
18 if we got warmer weather we have place to put that gas
19 rather than turning the gas back at the market and
20 selling it at a loss, or selling it with a cost
21 associated with it.

22 So we leave -- when we say, operationally
23 full or essentially full, we're trying to qualify that
24 because we are not exactly full with the last MCM that
25 we can put in there. We're going to leave a small

1 hole there so we can put supply in there that's coming
2 into the system.

3 MS. CHEUVRONT: And is it -- is the storage
4 43 percent and the purchases 57 percent as you showed
5 in your introductory slide the normal?

6 MR. ROY: Yes. What you see the 43 percent
7 -- well, first off, the 100 percent is Western's
8 normal -- those are Western's normal sales
9 requirements based on normal weather. And so the mix
10 or the ratio to be able to meet those requirements on
11 a seasonal basis or an annual basis we do that 43
12 percent coming out of storage and 57 percent coming
13 with flowing supplies.

14 MS. CHEUVRONT: In question number seven you
15 talked about your Helping Hand Program. Is this your
16 all's name for at the other hearings what we've heard
17 of as being called WinterCare or Winter Help or Winter
18 whatever?

19 MR. SENTER: Bill Senter. Even I'm not as
20 familiar with the other company's programs so this is
21 the name of the program that we use and it's done
22 through the Salvation Army.

23 MS. CHEUVRONT: But it's a voluntary check
24 off sort of on your bill?

25 MR. SENTER: Yeah, we actually -- we send

1 out an envelope and customers make contributions.

2 MS. CHEUVRONT: So it's not a check off?

3 MR. SENTER: It's not a check off, right.

4 We've had the program in place for a long time.

5 MS. CHEUVRONT: In your -- also in the data
6 request you did talk about how you're going to
7 increase your contributions, and then in your
8 introduction you talked about \$30,000 up to 60.

9 MR. SENTER: Right.

10 MS. CHEUVRONT: That's with the 15 that you
11 were increasing?

12 MR. SENTER: Well, we're increasing 30.
13 We're increasing the seed level from 15 to 30 and
14 we're increasing the availability of matching funds 15
15 as well from 15 to 30. So that if we were -- so in
16 total we give \$30,000 as the base level, and then if
17 we get up to \$30,000 worth of customer contributions
18 we'll match that dollar for dollar up to \$30,000 --

19 MS. CHEUVRONT: Okay.

20 MR. SENTER: -- for a total of \$60,000 from
21 us.

22 MS. CHEUVRONT: I see. All right. Very
23 good. I don't know this are that well. I'll never
24 get home. I never can leave Owensboro for some
25 reason, so evidently I'm suppose to know this area

1 real well. Why is it with the Salvation Army in
2 Louisville?

3 MR. SENTER: I think that's where their
4 regional headquarters are. To my understanding,
5 that's correct. And they work with the Salvation Army
6 affiliates in the various towns in which we serve. So
7 they're the administrative point for the -- for all of
8 the communities, Hopkinsville, Madisonville. When we
9 serve 160 some odd communities they become the
10 administrative center for flowing funds through down
11 to those agencies and then they report back and that's
12 how it works. Just provides some administrative
13 control.

14 MS. CHEUVRONT: And please understand I'm
15 not saying anything against the Salvation Army, it's
16 just because it's in Louisville I'm trying to figure
17 out how this is really working. Do you know that what
18 comes from your customers comes back to your
19 customer's area?

20 MR. SENTER: Yes, yes, we do.

21 MS. CHEUVRONT: Do you know the percentage
22 that is distributed by Salvation Army and what
23 percentage actually goes to administrative costs?

24 MR. SENTER: I don't have those figures with
25 me tonight. I'm sorry.

1 MS. CHEUVRONT: You have talked about
2 different programs that you have to work with your
3 customers and I have to say all the utilities I hope
4 they follow through. These hearings seem to be
5 extremely helpful. I know you wish they would call
6 you before they get their disconnect notices and not
7 after they get their disconnect notices. Have you all
8 considered anything which Covington called the due
9 diligent flexibility, where if somebody -- they really
10 can pay their bill but it doesn't arrive at a time
11 that's convenient for them to pay their bill. I know
12 as a state government employee we get paid on the 15th
13 and the 30th, so when I get bills on the 22nd it's like,
14 oh, my gosh, you know. Have you ever considered doing
15 something of that nature?

16 MR. SENTER: Bill Senter. We do not yet.
17 We don't have that flexibility in our billing system
18 yet. So a meter is read and it immediately goes into
19 the system and customer's bills are generated very
20 shortly.

21 And the meter readers, they have their
22 schedule. They go to the neighborhoods once each
23 month. So you get on a pattern. And so certain areas
24 in the community are served or meters are all read at
25 the same time when the meter reader is in that area.

1 It's the efficient way to operate meter reading. So
2 as soon as that meter is read then its entered into
3 the system and then the bills are issued. So it's a
4 geographical issue based on the route of the meter
5 reader.

6 MS. CHEUVRONT: I'm not even going to ask, I
7 don't know what these ITT people do. You just started
8 -- I don't know just -- it hasn't been all that long
9 ago -- late fees for residential customers. During
10 this period of increasing gas costs and people having
11 problems paying their bills because of the increase,
12 have you considered possibly waiving them for the
13 months, he high cost months?

14 MR. KISSINGER: Rick Kissinger. No, we have
15 not considered waiving our late fee at this time.

16 MS. CHEUVRONT: I think I heard you possibly
17 say in your opening that you see these cost, these gas
18 increases maybe leveling off and then eventually not
19 going down to \$2 put going back down, is this --

20 MR. ROY: Gordon Roy. I hope I was precise
21 enough in the way I described that that, you know,
22 we're not predicting what the market's going to do.
23 What we hope occurs, and maybe that's the fair way to
24 state it, if you look at the signs, the market signs,
25 more rigs out there, you know, there are more storage

1 projects that are being developed, underground storage
2 projects, \$5 gas prices -- and we've had this
3 experience in the last few months. We do buy gas from
4 a number of local producers in our various market
5 areas including Kentucky. And we've got producers who
6 have been, if you will, trying to work as hard as they
7 can to bring some marginal production back on line to
8 get it to market so they can capture this revenue with
9 these higher gas costs. And, you know, this market,
10 the natural gas market, is -- I don't think it's
11 different, much different from any other commodity
12 market. You know, it is a supply/demand driven type
13 market. And one of the market responses should be,
14 what it should be with \$5 gas prices is everybody and
15 his brother, pardon the expression, ought to be out
16 there looking for supplies trying to bring those
17 supplies to market. And we hope that that's going to
18 be the reaction and we're seeing signs with the rig
19 count. You know, that's a pre-indicator, if you will,
20 of hopefully some good things to come.

21 And just one other point, if I may make this
22 point. I don't know if Bill said this or not, but
23 while I'm speaking, you know, higher gas prices --
24 Western is not supportive of higher gas prices.
25 Western is supportive of reasonable gas prices.

1 MS. CHEUVRONT: Thank you. That's pretty
2 much the sentiments of everybody. On your disconnect
3 policy you talked about your winter hardship
4 reconnect. How long does it take you to reconnect
5 somebody?

6 MR. KISSINGER: Rick Kissinger. If we get
7 -- if a customer calls in and is put on a or falls
8 into the winter hardship reconnect they pay their one-
9 third, their \$200 we can -- it really depends on the
10 activity at that time. If we have a lot of customers
11 calling in, as we typically do this time of year due
12 to the cold weather, it may take a day or two, but we
13 typically try to get those customers on as soon as we
14 can. As soon as our operations personnel have the
15 ability to do it based on their schedule.

16 MS. CHEUVRONT: I've heard that with some of
17 the other utilities, and forever I thought it was a
18 reg but I think I was wrong, that they have the policy
19 where if the weather hits 32 degrees below they won't
20 disconnect. Do you all have anything like that, of
21 that nature?

22 MR. KISSINGER: Rick Kissinger. We won't
23 turn off a customer if it's below 32 degrees.

24 MS. CHEUVRONT: The old saying in Kentucky
25 about our weather, if you don't like it wait an hour,

1 applies a lot in February where one day you're
2 freezing cold and the next day you're pulling out your
3 summer clothes and then, you know, a couple of days
4 later you're trying to get even more winter clothes.
5 Let's say we have that period in February where we
6 know -- we have some of our biggest snow storms in
7 March, would you disconnect them during that brief
8 little period where it got warm where previously you
9 haven't because it had been so freezing cold?

10 MR. KISSINGER: Rick Kissinger. We normally
11 look at the weather reports. And if we get a
12 disconnect order for a customer we look at the weather
13 report and it's going to be 50 degrees tomorrow, and
14 I'm talking about the low temperature, we will go
15 ahead and work that order. If the low is going to be
16 31 degrees or 32 degrees and the high is 50 degrees we
17 won't work the order.

18 MS. CHEUVRONT: And so if you disconnect
19 them and then a few days later our high gets 32
20 degrees or 40 degrees or something of that nature, to
21 get reconnected they'd have to go through the process
22 of getting the winter hardship reconnect?

23 MR. KISSINGER: Rick Kissinger. Yes, that's
24 correct.

25 MS. CHEUVRONT: If you have to change

1 something on your bill or some type of line item has
2 to be added, I know you probably can't speak from
3 experience, I don't think you're a computer person,
4 but just from your experience of dealing with your
5 computer programmers would there be an added cost to
6 the company to do that?

7 MR. SENTER: Bill Senter. Yes, there likely
8 would be some programming changes to make any
9 adjustments to the current bill format. There would
10 be some costs involved but I can't possibly tell you
11 what that cost would be just on the fly here, and some
12 time involved to get that done. But I can't give you
13 the particulars.

14 MS. CHEUVRONT: Are these costs, and I'm not
15 going to say the next day or anything of that nature,
16 but if you had to come in to get a rate increase
17 because of other things, are these costs that you
18 would want to try to recover in your base rate?

19 MR. KISSINGER: Ultimately, I don't think
20 we're talking about the costs that would require some
21 kind of a rate case.

22 MS. CHEUVRONT: Let's hope not.

23 MR. KISSINGER: Certainly not. I mean, so
24 it's just a matter -- these would be -- these would be
25 added costs to our cost of service.

1 MS. CHEUVRONT: I believe that's all I have.
2 Thank you.

3 MR. HUELSMANN: Before we change the tape,
4 Ms. Chevront, you asked the question concerning data
5 on the Salvation Army. Would you like to receive that
6 information?

7 MS. CHEUVRONT: If they could get that
8 information that would be nice. I don't know since
9 they sort of just turn it over -- and I'm not saying
10 they don't monitor it, I'm sure they do or they
11 wouldn't know what was coming back to this area but
12 --

13 MR. KISSINGER: A percentage of the
14 administrative expenses.

15 MS. CHEUVRONT: How much is actually going
16 --

17 MR. HUELSMANN: Mr. Hutchinson, do you have
18 any problems with giving us that data later?

19 MR. HUTCHINSON: Oh, no, we'd be happy to
20 provide that. Be glad to provide that.

21 MR. HUELSMANN: Okay. We're going to stand
22 in break five minutes just for him to take the --
23 change that tape and then we'll continue.

24 (OFF THE RECORD)

25 MR. HUELSMANN: If you all want to take your

1 seats and we'll get started.

2 Okay, we're back on the record. I'm looking
3 in the audience for other interveners, attorneys and I
4 don't see any. Is there any other interveners,
5 attorneys?

6 Okay, Commission Gillis has a few questions.

7 MR. GILLIS: Just a couple of questions, Mr.
8 Roy. I think you talked about the storage, the amount
9 in storage and maybe I wrote down some wrong numbers
10 or have something wrong. What's the amount that you
11 have in storage or a total amount that you can store
12 in both fields and pipeline?

13 MR. ROY: We've got on Texas Gas and
14 Tennessee Gas Pipeline, that's our pipeline storage, a
15 total of 5.1 BCF on the interstate pipelines. And
16 Western has 4.4 BCF of it's own storage capacity. So
17 all total about nine and a half BCF of gas.

18 MR. GILLIS: And that will be 97 percent
19 filled at the end of October?

20 MR. ROY: We're ready to go.

21 MR. GILLIS: So you anticipate using maybe
22 85 percent of that throughout the season?

23 MR. ROY: We hope to.

24 MR. GILLIS: And have a -- I guess you have
25 to keep a cushion of some amount?

1 MR. ROY: Yes. One of the things that, from
2 a storage/operating standpoint that we have to guard
3 against and have to protect for is occasionally we'll
4 experience a late winter peak, something that could
5 occur maybe in late February. So we have to manage
6 storage fairly carefully to be able to assure that we
7 have enough deliverability coming out of storage to
8 meet that late winter peak.

9 So ideally, you know, the way we like to set
10 storage up in terms of usage of storage is just like a
11 bell curve if we could. But unfortunately the weather
12 doesn't allow us to do that. So what we're doing with
13 storage, we set storage up for deliverability to meet
14 peak day requirements, but we also use storage for
15 seasonal requirement. And then we just manage it as
16 we go depending on what the weather does.

17 MR. GILLIS: So of the total in your charts
18 that you anticipate selling this year, about 20
19 million MCF of which about eight million will come
20 from storage and 12 million -- I'm rounding -- 12
21 million come from purchase?

22 MR. ROY: Yes, that's correct.

23 MR. GILLIS: So that -- I guess we're
24 starting with the increase in gas cost, we're
25 anticipating everyone's bill going up, but if the

1 bills do come down substantially that 12 million would
2 be subject to lower gas cost as we go. So it could be
3 possible that we would see some relief to the extent
4 of that 12 million?

5 MR. ROY: That is correct. Assuming market
6 prices go down then customers would, I guess, enjoy
7 the benefit of lower market prices.

8 MR. GILLIS: Mr. Senter, I just had a
9 question or two about your -- the company's position
10 on the USF. Is it the company's position that you
11 would rather continue with the programs that you have
12 in place for customer assistance without any
13 involvement as far as the commission getting involved
14 in a USF or implementing a USF or can you elaborate a
15 little bit more on the company's position on that?

16 MR. SENTER: I'm pleased that you asked the
17 question because I do want to be completely clear. We
18 support the concept of a universal service fund. We
19 do not see a universal service fund as a replacement
20 for the existing programs. It will simply complement
21 and provide additional funding.

22 Our hope is that the additional funding
23 would be funneled in such a manner that the
24 administrative costs associated with that would be as
25 low as possible to maximize the benefits of those in

1 need. It's not to replace what's in existence. Our
2 hope would be that it would add to it.

3 MR. GILLIS: I think many years ago the
4 commission may have had an administrative case that
5 they looked at USF's and I'm not sure, Administrative
6 284, I believe it was. And I think for some reason it
7 was deemed impractical not to have one or it may have
8 been challenged possibly in court. So I guess I'm
9 wondering if the programs that you have in place might
10 -- is there any way for the company to be more
11 creative with the money that you have or to take a
12 look and see if you could be more creative with the
13 money that you're currently putting in the programs to
14 see if there are better ways to use those funds for
15 low-income funding?

16 MR. SENTER: We want to be very open to
17 looking at the programs that we have today and
18 enhancing those and making those the best that they
19 can be. Certainly our proposal to expand the Helping
20 Hand funding is just one example of that. But we're
21 going to take a look at all of our -- everything that
22 we're doing and to the extent that we can, you know,
23 maximize the efficiency and the effectiveness of those
24 funds being spent to maximize the public awareness of
25 those funds are available, the efficiency of the

1 administration of those funds, and make sure that
2 those in need know that those funds are available we
3 want to do that. And, yes, we want to look at that.

4 MR. GILLIS: And I'm not sure that we've
5 talked during the hearings we've have throughout the
6 state as far as any other programs other states or
7 anything that might be possible. Have you all looked
8 at any other programs anywhere else within your
9 company to compare what you're doing here with what
10 they're doing to get the best way?

11 MR. SENTER: That was a goal of mine at one
12 time when we started about this and I never -- as you
13 know, our corporation actually does business in 12
14 states total. And I don't have summary of what maybe
15 some of the programs are. I don't think there's too
16 much out there. Of course, as you're aware, I spent a
17 number of years in the telephone industry, personally,
18 and am familiar with the universal service fund that
19 was established in the telephone industry. And one of
20 the problems and differences for the kind of universal
21 service fund we're talking here is those are generally
22 targeted from one geographic area to another. So, for
23 example, citizens in New York paid a universal service
24 fund, which supported the high cost of service out in
25 Wyoming where they had long loops and things like

1 that.

2 In fact, you might have somebody in New York
3 who is actually a low-income person subscribing to
4 phone service paying for somebody with higher incomes
5 making his phone service more affordable in Wyoming.
6 These programs that we're talking about would simply
7 be, as we understand the universal service fund, would
8 be paid by all customers and then would benefit -- go
9 directly to those eligible low-income individuals. We
10 see it as a targeted means tested program with a
11 priority of those funds going to those who are most in
12 need.

13 MR. GILLIS: Thank you.

14 MR. HUELSMANN: I have a few questions. My
15 understanding is 85 percent of the drilling for
16 natural gas is by independent drillers. Have you all
17 seen or heard of any of that being done in Kentucky?

18 MR. ROY: A couple of the -- Mr. Chairman, a
19 couple of the inquiries that we've gotten have been
20 from Kentucky producers, that is the reactivation of
21 wells. I'm not familiar, maybe Rick might be, about
22 any requests we've had from local producers to connect
23 our system.

24 MR. HUELSMANN: If those people did want to
25 get into your system would you allow them into your

1 system?

2 MR. ROY: Certainly.

3 MR. HUELSMANN: If a person received a heat
4 bill last January of \$100, the rates today what would
5 that consumer pay today, approximately?

6 MR. SENTER: Are you referring -- you're not
7 referring strictly to the gas cost?

8 MR. HUELSMANN: I'm talking strictly about
9 the price of gas, a monthly bill. If they received a
10 \$100 bill in January what should they expect as of
11 today?

12 MR. SENTER: This is October, I think the
13 total bill would be pretty close to 90 percent, 90
14 percent greater.

15 MR. HUELSMANN: Ninety percent greater,
16 \$190?

17 MR. SENTER: I believe that's correct.
18 We've got some statistics in the DR's, but they're
19 based on the September numbers. We've had another
20 interim increase that went into effect in October and
21 I think it's pretty close to 90 percent.

22 MR. HUELSMANN: So you're talking about a
23 doubling of --

24 MR. SENTER: Just about. And Mr. Chairman,
25 could I --

1 MR. HUELSMANN: Go ahead.

2 MR. SENTER: We just -- you know, a year ago
3 our gas costs were actually very low and we were
4 lagging in the market a little bit in terms of how
5 quick we were getting our actual gas costs recovered,
6 when we've made our gas cost filings and when those
7 gas costs were flowed through and went to the
8 customers. We lagged the market in terms of how
9 quickly we were chasing this rising market. And so
10 the percentage increase looks higher because of our
11 baseline a year ago was lower than probably the
12 average company. And I think that's why the
13 percentage seems a little bit higher.

14 MR. HUELSMANN: You mentioned injection the
15 wells. Is that -- are you on base or are you on where
16 you projected to be at this date?

17 MR. HACK: We're probably slightly ahead of
18 where we projected to be.

19 MR. HUELSMANN: My last question is, the
20 year of 1997 -- 1977 and 1978 were extremely cold
21 winters that we had. If we have a winter the '77/'78
22 this year is Western Kentucky going to be able to meet
23 the needs of every consumer that it serves presently?

24 MR. SENTER: Why don't you answer that one,
25 John.

1 MR. HACK: John Hack. According to our peak
2 day design where we estimate heat load factors for per
3 customers and extend that to the firm market, we have
4 sufficient capacity and supply that we should meet
5 that type of peak.

6 MR. HUELSMANN: The answer to that is yes?

7 MR. HACK: Yes.

8 MR. HUELSMANN: Thank you. Okay, that
9 concludes this part of the hearing. The next part
10 would have been for me to ask questions of the utility
11 by people attending and they were supposed to put that
12 in writing. And my understanding is there's been
13 nothing in writing requesting me to ask them
14 questions.

15 So we'll now go down to the public comments.
16 And we had a sign in sheet and we had a bunch of
17 people sign in and there are a bunch here, but
18 everyone said they do not want to speak. Any of the
19 lay public that is here I can give you a second
20 chance. If you'd like to speak at this time you're
21 welcome.

22 Okay, hearing none we'll then go into the
23 public comments. And if -- we've got two seats there.
24 The first group of representatives we have for the
25 Cabinet of Families and Children and the Kentucky

1 Association of Community Action, Mr. Cliff Jennings
2 and Deb Hamlin are here to make comments from the
3 Cabinet for Families and Children and the KACA.

4 MR. JENNINGS: Thank you. Buy fuel or buy
5 food? Buy fuel or buy medicine? These are hard
6 choices that many of our low-income families, the
7 elderly, persons with disabilities will have to face
8 and make this winter. These are not choices that we
9 should accept.

10 The Cabinet for Families and Children
11 administers the low-income home energy assistance
12 program statewide through the Kentucky Association for
13 Community Action who operates that program in all 120
14 counties through the 23 community action agencies in
15 the Commonwealth.

16 We are deeply concerned about the rising
17 cost of fuel, especially the cost of natural gas for
18 the low-income citizens of the Commonwealth. There
19 are increasing indications that the price of home
20 energy -- and that's all forms of home energy -- are
21 going to increase, natural gas, propane, fuel-oil,
22 kerosene, wood and coal is on the rise.

23 With gasoline prices remaining high the cost
24 to deliver wood and coal is being impacted. We expect
25 those costs to go up maybe by as much as ten percent.

1 But we do expect to see an increase. With natural gas
2 the prices are predicted to increase this winter on
3 average or by 50 or more. We just heard a very
4 significant increase here. We've been hearing
5 increases elsewhere in the Commonwealth that are very
6 dramatic. And because of that the lives of the
7 elderly, the low-income, persons with disabilities,
8 and the families with children will be dramatically
9 impacted. These low-income families, senior citizens,
10 and person with disabilities will be forced to make a
11 choice. That is between buying fuel or buying food,
12 buying fuel, buying medicine, or buying other
13 important necessities.

14 If the winter is extremely severe or there
15 are extended periods of very cold weather, the problem
16 will be even more critical and could reach a very
17 dangerous level. Studies show that the low-income
18 households spend from 14 and 18 percent of their total
19 household income on home energy. And with the rising
20 cost of fuel prices that cost or percentage of their
21 income that goes for home energy should increase.

22 A family of four with a gross income of
23 \$1,200, which is approximately 85 percent of poverty,
24 would spend from \$170 to \$215 monthly on their home
25 heating cost. Conversely, the other households, the

1 average household, spends between three and a half
2 percent to seven percent of their household income on
3 heating costs. Studies show that the elderly are
4 likely to pay their heating bills at the expense of
5 their food and medicine.

6 Nationally, LIHEAP is not sufficient to meet
7 the demands, especially facing these increased energy
8 costs. Under the Low-Income Home Energy Assistance
9 Program only those who have income at or below 110
10 percent of poverty are eligible. Those who are above
11 110 percent of poverty do not qualify for LIHEAP.

12 For those who are eligible the LIHEAP
13 benefit is small compared to the actual cost of
14 heating their homes. In our subsidy component last
15 year the average benefit was \$92. Last year we served
16 over 94,000 households in our subsidy component. For
17 natural gas the average benefit was even lower; it was
18 \$82.

19 In the case of a family of four, assuming
20 that they heat with a natural gas, their cost of
21 heating for the winter months would cost from \$850 to
22 over \$1,000. This amount of money is very small
23 compared to that heating cost, but it's very large and
24 very important for those low-income families.

25 We also have a crisis component, which

1 operates beginning in January. The maximum benefit
2 for natural gas was \$100 last year. To what extent
3 will these benefits assist a family if the natural gas
4 prices increase by over 50 percent? Last year we had
5 48,000 households, over 48,000 households served in a
6 crisis situation, and that is defined as being without
7 heat or having a disconnect notice or soon will be
8 without heat.

9 Individuals, especially the elderly, are
10 becoming worried, they're even frightened about the
11 prospect of these higher heating bills this winter.
12 They have heard the news reports. One senior citizen
13 states, I am on a fixed income and cannot save for big
14 increases in my gas bill. My medications cost almost
15 \$300 a month. What am I going to do?

16 Kentucky is faced with a significant funding
17 issue. As I said, only those with income below 110
18 percent of poverty can receive help in our Low-Income
19 Home Energy Assistance Program. The LiHEAP benefit
20 amounts will only cover a small percentage, a small
21 part of the winter heating bills.

22 Many may have heard that President Clinton
23 has released emergency funds and we are extremely
24 grateful for that release of the money this early in
25 the year. But I do want to clarify that this is money

1 that was already there that has been available
2 consistently for the President to release for energy
3 emergencies.

4 Other than Winter Care and Helping Hands
5 there are no other significant sources of money that's
6 out there available to help these low-income
7 households. Our most vulnerable population who are
8 dealing with fixed or limited incomes are struggling
9 with these increased energy costs.

10 We cannot do it alone. We need community
11 involvement in addressing this issue so that no one
12 has to choose between buying fuel or buying food;
13 buying fuel or buying medicine.

14 The Cabinet for Families and Children is
15 trying to address this problem. One thing that we're
16 trying to do -- that we are doing is attending these
17 hearings and speaking out. We've also had -- hosted
18 two other meetings in the state to try and get more
19 people involved and aware of the issue and working
20 collectively to try to find solutions.

21 We are asking that community resources
22 become more involved and lend a helping hand with the
23 situation. Governor Patton joined with other
24 governors and asked the President to release the
25 LiHEAP emergency funds before the winter begins. And

1 in Saturday, September 23rd, the President released 400
2 million of those emergency funds. Kentucky's share of
3 that emergency fund is 4.7 million. But, again, that
4 number is an advance of money that has been there for
5 emergency -- winter emergencies and the money is not
6 sufficient to serve all of the need that's out there.

7 We're still supporting increased funding
8 from the federal government. We're working hard to
9 try and get congress to increase the appropriations
10 for the Low-income Home Energy Assistance Program.
11 But that's still just a guessing game. We do not know
12 that that will happen.

13 We are encouraging the utilities to continue
14 to support in terms of their working with the clients,
15 their customers, on budget payment plans with cut off
16 policies that are flexible and also their efforts, and
17 we appreciate their support and their contributions to
18 the low-income programs that they are making.

19 We'd also like to encourage the citizens to
20 become more involved and to make contributions with
21 their utility bills or through Helping Hands and, you
22 know, to assist with low-income households.

23 The state and Community Action Agencies
24 cannot do it alone. There must be a coordinated
25 effort state-wide. We appreciate the effort by the

1 Public Service Commission in holding these hearings.
2 It is an opportunity for all of us to start working to
3 collectively, the energy providers, the public
4 agencies at the state and local level, the citizens to
5 begin to work together to find solutions to this
6 problem so that our friends and neighbors on fixed and
7 limited incomes do not have to face these difficult
8 choices.

9 Therefore, I am asking all community
10 resources to help to come together to work on this so
11 that we can arrive at a solution and make sure that
12 people can stay warm this winter. We would appreciate
13 and support coming together with resources such as
14 blankets, space heaters, places for people to go, help
15 with a person's heating bill. These are things that
16 we all can do and contribute to this effort.

17 Now these community resources are out there
18 and they're already helping, but we are asking that
19 all of us work together and do more. Thank you.

20 MR. HUELSMANN: Thank you, Mr. Jennings.

21 MR. GILLIS: Mr. Jennings, just one question
22 or two. I know we haven't asked any before, but I'm
23 going to put you on the spot here at our last meeting.
24 Are you familiar with any programs throughout the
25 United States that have been successful that we might

1 be able to import into Kentucky to get community
2 resources more involved, to encourage citizens to
3 check off or give money on utility bills, or any way
4 that we can get the word out and make a difference?

5 MR. JENNINGS: Well, I think what we are
6 doing here right now in a very active way before the
7 winter in anticipation and with the full knowledge of
8 these energy prices is a significant effort on the
9 part of the Commonwealth to upfront be prepared for
10 any conceivable possibilities here.

11 As to other programs in the nation that have
12 been effective in this area, there is a lot of variety
13 out there but I've not really feel like right now I'm
14 prepared to do that.

15 MR. GILLIS: Well, I said I'd put you on the
16 spot so --

17 MR. JENNINGS: We could come back with and
18 provide that information.

19 MR. HUELSMANN: If you have any I think we'd
20 like to receive whatever you've got to be innovative.
21 And if you would, we'll distribute it to the rest of
22 the people here.

23 MR. JENNINGS: Great.

24 MR. HUELSMANN: Thank you. Ms. Hamlin?

25 MS. HAMLIN: The Kentucky Association for

1 Community Action wants to thank the Public Service
2 Commission for this proactive approach to the concern
3 of the people about the high energy costs this winter,
4 and also Western Kentucky Gas for their willingness to
5 work with us to serve the low-income people.

6 Besides what Cliff said, LiHEAP serves about
7 180,000 households in Kentucky. That's only about
8 half of the people who should be eligible but there
9 aren't sufficient funds. We have to come up with
10 other solutions.

11 The Kentucky Association is supporting the
12 universal service fund. We feel that may help. It
13 also may help some of the people in that gray area,
14 the working poor, the people who have more income but
15 not enough to really pay their bills and adequately
16 live.

17 And we again want to thank you for having us
18 here.

19 MR. HUELSMANN: Thank you. The next person
20 to speak is the Natural Resources and Environmental
21 Protection Cabinet. Traditionally that's been John
22 Davies, but I see someone else.

23 MS. LANDRY: I'm Karen Landry from the
24 Kentucky Division of Energy which is part of the
25 Kentucky Natural Resources and Environmental

1 Protection Cabinet. And I'd like to thank the Public
2 Service Commission for allowing us to comment this
3 evening.

4 My purpose here is twofold this evening.
5 First I'll explain who we are and our energy role
6 within the Commonwealth; and second, I'll highlight
7 what families and businesses can do to reduce their
8 energy bills through simple yet effective energy
9 conservation practices.

10 The Division of Energy is a state agency
11 whose mission is to promote a healthier, more
12 prosperous and sustainable future through the wise use
13 of energy. The division's history extends more than
14 25 years, originating from the energy crisis of the
15 1970's when National Energy Security and energy
16 conservation issues gained public attention.

17 Since its inception the Division of Energy
18 through its partnership with the United States
19 Department of Energy has helped Kentucky Schools and
20 hospitals save an average of 25 percent on energy
21 costs in more than 1,100 buildings. We've launched an
22 energy efficiency program for state government
23 buildings, we've promoted the use of alternative fuel
24 such as compressed natural gas and ethanol, and we've
25 prepared for and responded to energy emergencies to

1 lessen their impact.

2 These are just a few examples of our
3 programs. While our mission remains the same our
4 focus changes from time to time to respond to energy
5 issues and challenges.

6 Today, despite the great energy efficiency
7 gains we have made over the years, our state and
8 nation still confront serious energy issues that
9 affect our economy, our health, and our environment.
10 The approaching winter season presents us with such a
11 situation.

12 As a non-regulatory state agency, the
13 division works with others on a voluntary cooperative
14 basis to ensure that energy emergency issues are
15 resolved. One reason why we do not have John Davies
16 where with us this evening. We promote contingency
17 planning on both the part of individuals and
18 organizations to anticipate and reduce the impact of
19 energy problems. Most everyone recalls the efforts to
20 prepare for the new millennium. The Division of
21 Energy was one of the key agencies working on and
22 inner agency task force to plan for energy problems
23 that could have resulted from the Y2K.

24 We have also partnered with the Division of
25 Emergency Management, energy suppliers, and other

1 states, and the federal government to resolve energy
2 supply and distribution problems caused by severe
3 weather. We did this as recently as January 2000. I
4 see our current situation as requiring a similar
5 effort to prepare for problems that may arise from
6 higher energy prices and tighter supplies.

7 The Division in conjunction with five other
8 state agencies has formed a winter fuels working group
9 to determine how state government can best prepare for
10 potential energy challenges ahead. The other agencies
11 are the Public Service Commission, the Kentucky
12 Division of Emergency Management, the Office of the
13 Attorney General, the Cabinet for Families and
14 Children, and the Cabinet for Economic Development,
15 all under the purview of the governor's office.

16 Our winter fuels working group will address
17 such issues as attainable, reliable information under
18 energy supply, demand, and prices throughout the
19 Commonwealth, reviewing and updating Kentucky's
20 existing emergency operation plans as they relate to
21 energy supply, coordinating the appropriate response
22 among state agencies and working with other states and
23 federal government and non-governmental organizations
24 to implement solutions.

25 This hearing focuses specifically on natural

1 gas. But all of us who have bought gasoline, read a
2 newspaper, or heard a news broadcast in this past
3 several weeks are well aware that the cost of oil is
4 at near record highs. Prices for petroleum products
5 whether gasoline, heating oil, diesel fuel or propane
6 are determined on the world market. And this market
7 has risen steeply.

8 Less than two years a barrel of oil sold for
9 about \$10. In recent weeks that same barrel of oil
10 brought nearly four times that much. Tight supply and
11 higher natural gas costs may lead to even higher
12 prices for our other heating sources such as heating
13 oil and propane. Together these three products,
14 heating oil, natural gas, and propane, heat 59 percent
15 of Kentucky homes.

16 While the heating cost may be up 20 to 40
17 percent this winter, we can save an equal amount by
18 adopting energy saving practices. While these
19 practices are not glamorous they do work. And they
20 include keeping your furnace tuned and replacing your
21 furnace filters once a month. Properly tuning your
22 furnace you can save six to ten percent on your energy
23 bill.

24 Weatherizing your home to prevent heat loss
25 you can save 10 to 25 percent on your heating bill.

1 Weatherizing would include caulking and weather
2 stripping around windows and doors. Setting your
3 thermostat back from 72 degrees to 64 degrees for
4 eight hours, for example those hours when you're gone
5 during the day, can help you save five to ten percent
6 on your heating bill. And a programmable thermostat
7 would help you to remember to do that. And the energy
8 savings in the long run would pay for the cost of the
9 programmable thermostat.

10 Ensuring that you have at least an R30
11 insulation in the attic saves up to 15 percent in your
12 heating cost.

13 And finally, reducing or setting your water
14 heater thermostat to 120 degrees and doing other
15 things to help reduce your hot water usage which
16 accounts for 14 percent of your utility bill.

17 Adopting these measures can help you lower
18 the cost of heating your home while increases your
19 comfort during the winter. Other measures that people
20 can take to reduce energy costs include buying high
21 efficiency energy star labeled products when replacing
22 appliances and equipment, and changing incandescent
23 light bulbs to compact florescent bulbs.

24 Many of these energy tips, saving tips such
25 as adjusting thermostats, reducing hot water

1 temperatures, sealing duct work, and performing
2 routine maintenance on furnace equipment apply to
3 businesses and industries as well. Asking employees
4 to help out by turning off lights in unoccupied areas,
5 keeping exterior doors closed as much as possible, and
6 turning off machines and equipment when not needed can
7 generate significant energy savings.

8 As I said, energy conservation is not
9 glamorous but it does work. Those in our communities
10 who can at least afford higher energy prices might be
11 faced with difficult decisions as we've discussed this
12 evening. We recognize the choices many low-income
13 households will face. Pay for energy or pay for food
14 or medication or life's other necessities.

15 There are no easy answers, especially in the
16 short run. And all of us together need to start
17 taking those actions that will make us less dependant
18 on foreign oil and more energy self sufficient.
19 Energy efficiency and conservation are steps in that
20 direction.

21 On the table in the hallway we have a
22 booklet that explains these tips and others. And I
23 also want to recognize you all for providing the
24 energy -- many of these tips and more in your flyer.
25 Thank you.

1 MR. HUELSMANN: Thank you. The next one to
2 speak is Stephanie Bell from the Public Service
3 Commission. She's here today to represent the
4 Division of Consumer Services.

5 MS. BELL: Good evening. Jenny Smith could
6 not be here this evening. She's the director of
7 Consumer Services. My name is Stephanie Bell, I'm
8 secretary of the commission and I'm filling in for
9 her. She wanted me to let you know a few things about
10 her division.

11 The Consumer Services Division is composed
12 of a director, secretary, and five investigators. The
13 staff receives approximately 30,000 calls per year and
14 has logged 3,600 informal complaints.

15 The Consumer Services staff is responsible
16 for providing informal complaint resolution services
17 for the state's regulated utility customers. We do
18 not regulate municipal owned utilities, TVA utilities,
19 cable TV, sanitation districts or bottled gas which is
20 propane. Complaints are resolved in accordance with
21 the PSC rules and regulations, the utilities file
22 tariffs and Kentucky State Statutes.

23 Although every customer is not a satisfied
24 customer most are left with a better understanding on
25 how we work and the commission's authority. The

1 division has seen an increase in the normal -- in the
2 number of informal complaints filed by customers each
3 year. One reason for this is the Consumer Education
4 Program, which has resulted in TV and radio ads, which
5 gives out our toll free number.

6 Now that you know who we are and how we can
7 help you as a utility consumer, let me share some
8 information on how you can reach us. Our toll free
9 number is 1-800-PC-INFO or 1-800-772-4636. Our direct
10 phone number is area code 502-564-3940. Our mailing
11 address is P.O. Box 615, Frankfort, Kentucky 40602.
12 If you would like to email us our email address is
13 psc.mail.state.ky.us. And on our web page you can
14 just click on the Consumer Services Division link.

15 So thank you very much.

16 MR. HUELSMANN: Thank you. The next comment
17 was to be from Daugherty Resources.

18 MR. SCHULTZ: Thank you. My name is Lou
19 Schultz. Bill couldn't make it tonight so I'll be
20 speaking for him. On behalf of Daugherty Resources
21 I'd like to thank the Public Service Commission.

22 First slide. This is a quote from Bill
23 Richardson about the competence, "For a secure energy
24 future, government and private sector decision makers
25 need to be confident that the industry has the

1 capability to meet the significant increases in the
2 natural gas demand for the forecasted twenty-first
3 century."

4 Next slide. Basically, there is really --
5 the energy crisis -- there is no energy crisis.
6 There's a long-term supply of natural gas. Whereas
7 crude oil is a global issue, natural gas is a North
8 American one. Eighty-seven percent of the natural gas
9 consumed in the U.S. is produced here, and the
10 remaining 13 percent is produced in Canada and Mexico.

11 The price of natural gas is higher because
12 of existing market conditions. The law of supply and
13 demand is working. The price is the symptom, not a
14 problem. This chart is from the Petroleum Council and
15 it shows a projected increase in natural gas prices.

16 Next slide, please. And this is from DOE.
17 It shows the projected increase in price to the
18 residential market. There you see the 880 predicted
19 for this winter.

20 Next slide, please. And this slide shows
21 where the gas price increases by sector, residential,
22 commercial, industrial and electric generation.

23 And the low levels of drilling activity
24 during the past three years has lead to the short-term
25 loss of deliverability. And you have the increase in

1 demand of natural gas that has lead to the short-term
2 deliverability problem.

3 Next slide, please. So due to the level of
4 drilling activity -- next slide -- you can see the
5 increase of the drilling activity in 1997 and then a
6 sharp decrease by 1999. So it's that three-year gap
7 there that's really lead to the deliverability problem
8 we're having right now.

9 This chart from the DOE also shows there in
10 1999 where you have the 2.2 BCF deficit there between
11 the additional fines and the annual decline. The
12 column on the left shows the rig count, so it shows
13 that the rig count was down to 453 rigs. And they
14 project that in 2000 that if we have 650 drilling rigs
15 operating we should be able to level the decline with
16 the needed production. So that will -- the market
17 conditions at work will increase the demand for
18 natural gas so --

19 Next slide, please. And this is a chart
20 from -- opps, I'm sorry -- that's okay -- shows the
21 increase in the natural gas demand in the future going
22 up to 30 trillion cubic foot of gas by the year 2010.
23 So the target area there you can see that demand is
24 going to go up significantly.

25 Next slide. And this shows the four percent

1 increase in the consumption from 1999 to 2000. And
2 this is where the demand is coming from, which sector.
3 And you can see from the year 1998 to the year 2010
4 there's a large increase in the electrical generation
5 demand.

6 Next slide. And this shows that that
7 difference was seven trillion cubic foot of gas. And
8 of that increase from '98 to 2010, 47 percent the
9 greatest number will be due to electrical generation,
10 19 percent due to residential, 11 percent commercial,
11 and 23 percent industrial.

12 The assumptions for those growths
13 were due to the demand growing 2.5 percent per year
14 with 140 gigawatts of new power coming on-line by the
15 year 2015. Seventy percent of the new gas fuels could
16 switch fuels. There will be no nuclear facilities
17 built. Thirty gigawatts of nuclear capacity is up for
18 re-licensing. Fifty percent of that will be extended
19 and 50 percent will be retired. And the coal capacity
20 utilization will be increased from 64 to 75 percent.
21 So with the market condition -- thank you.

22 This shows the U.S. dry gas production from
23 the year 1986 to 1999. And you can see it's been
24 pretty level for the last five years there.

25 Next slide. This slide shows the North

1 American Natural Gas outlook. Domestic gas production
2 has been flat since 1994. Even with increasing levels
3 of drilling activity domestic production will slightly
4 decline in the year 2000. Canadian production growth
5 is slower than expected. Focus now shifting to
6 demand.

7 Increase in prices coupled with increase in
8 demand has resulted in lower levels of storage. This
9 is a gas producer profile in the U.S. in 1998. It
10 shows that the majors have been leaving the U.S. going
11 abroad where the conditions are more favorable and
12 leaving the independents to carry the load for
13 developing and producing the natural gas in the U.S.

14 The independent producer generally operates
15 solely in the exploration and production segment of
16 the industry. Typically they do not refine or process
17 natural gas into products or sell their production on
18 a retail basis. Independents range in size from large
19 public companies, Anadarko or Devon, to small
20 privately held companies like most of the more than
21 200 companies that make up the Kentucky Oil & Gas
22 Association.

23 This chart shows the Kentucky wells and gas
24 production. You can see that natural gas produced in
25 Kentucky there in 1999 was 77 BCF of gas. And this

1 shows the natural gas consumption and production. Red
2 is the gas consumed and green being the gas produced.
3 You can see that by May Kentucky has consumed more gas
4 than it produced. So the Kentucky consumption far
5 outreaches its production.

6 And this shows the value of the production
7 of gas in the State of Kentucky. In 1999 it was
8 slightly over 150 million dollars worth of gas.

9 Next slide. This shows the components of a
10 healthy oil and gas industry. You need the
11 availability of skilled workers which is greatly
12 declined; adequate financial returns which is way
13 below what it costs to get companies more interested
14 in drilling, but with the price increase there is more
15 activity; the availability of drilling rigs, they've
16 mothballed so many of them during the down turn that
17 it will take time to get them back up and running.
18 And the biggest problem there is the skilled workers
19 have left and you really have a lot of trouble getting
20 them back in and the infrastructure has declined to
21 where you really don't get young people involved in
22 the oil and gas industry. So the infrastructure has
23 been severely damaged.

24 The access to public lands is not a major
25 factor in Kentucky but out west it's much more of an

1 issue. If they open up more access to public lands
2 there would be greater activity. And no unnecessary
3 governmental restraints is a big reason why the majors
4 have left the U.S. and are drilling in other parts of
5 the world.

6 And this is a graphic illustration of the
7 regulatory death spiral. You start with the tight
8 supply and then get the price surge and they put the
9 price caps on and that causes less supply and more
10 demand, then you have regulated shortages and
11 curtailment.

12 Thank you very much.

13 MR. HUELSMANN: Thank you.

14 MR. GILLIS: Mr. Schultz, without price
15 caps, your last slide up there, under what scenario
16 can you visualize a supply problem in the next three
17 years?

18 MR. SCHULTZ: Well, as the chart showed that
19 the supply problem should even out in the next year if
20 the rig count goes up enough. There is really no
21 supply problem. It's just a production problem.

22 MR. GILLIS: Well, I understand that, but
23 I'm thinking if we have a really cold winter, a really
24 hot summer, the rig count doesn't go up, the rigs
25 don't come in like they're supposed to, you can't find

1 the roughnecks, and there may be bottlenecks
2 throughout the system in different places. Is it
3 possible that Kentucky could see a supply problem
4 under that -- those conditions?

5 MR. SCHULTZ: I'm really not --

6 MR. GILLIS: -- or is it probable?

7 MR. SCHULTZ: It's not probable, no.

8 MR. GILLIS: Okay.

9 MR. SCHULTZ: The supply is pretty good.

10 MR. GILLIS: Well, if the supply is pretty
11 good then why can't we get the price down? Is it the
12 electric usage or just the constant demand in the
13 summer time or --

14 MR. SCHULTZ: Well, the supply is -- there's
15 a little more demand than supply. I really don't know
16 how to answer that question.

17 MR. GILLIS: I know they're not easy.

18 Thanks.

19 MR. HUELSMANN: That's why we're here.

20 MR. GILLIS: That's why we're here.

21 MR. HUELSMANN: Thank you, sir. We now come
22 to the point of closing statements. And Ms. Mitchell
23 for the Public Service Commission?

24 MS. MITCHELL: No.

25 MR. HUELSMANN: Ms. Cheuvront from the

1 Attorney General's Office?

2 MS. CHEUVRONT: I really hate to ask, since
3 this is our last hearing and a few of us have a long
4 drive to make, but since we're swaying a little bit
5 from our normal procedure I was wondering if I could
6 make a personal comment in response to what I've heard
7 as dealing with consumers to one of Commissioner
8 Gillis's questions to Mr. Jennings?

9 MR. HUELSMANN: You sure may.

10 MS. CHEUVRONT: You asked him how to
11 possibly -- what we could do to try to get consumers
12 to increase their contributions to Winter Help. I
13 don't know how we can get it out to them, but what I
14 hear, and the reason I've been asking these questions
15 about administrative costs is consumers are tired of
16 taxes, don't want any more added to anything, and they
17 are so skeptical to donating that if they knew how
18 much was actually helping the people that they thought
19 they were helping that they would be more willing to
20 donate on that bill.

21 I've had, especially in the last month with
22 these hearings and I've been talking about Winter Help
23 and WinterCare and Helping Hands or whatever you call
24 your all's now, the questions I'm always getting is,
25 well, who does it go to. Because a lot of people have

1 in their heads that -- sorry, you guys -- but that you
2 all are pocketing it. It's just something else for
3 you. And then they're saying, well, how much is
4 actually going. And it's not just with these programs
5 but it's with all charitable programs any more. So
6 that's why I've been trying to find out how much is
7 actually going towards administrative costs. And if
8 there's a way that we can find that out and actually
9 get it to the public that, you know, the utilities not
10 only contributing to help this, 100 percent is being
11 turned over to an agency to be distributed and so much
12 is going towards actually helping the people who need
13 it more people would be willing to check off that
14 little box on their --

15 MR. GILLIS: So you're suggesting that
16 possibly if the Cabinet for Families and Children or a
17 community action agency came up with some type of
18 brochure that they made available to the utilities to
19 put as a stuffer in bills showing how the funds are
20 received, who they're going to, the purpose, and the
21 use that that may be beneficial in getting more funds?

22 MS. CHEUVRONT: From what I'm hearing from
23 the public -- I don't want to say a bill stuffer,
24 because also what I hear from the public is they're
25 not read. Sorry again, you guys. But something of

1 that nature.

2 MR. GILLIS: Okay.

3 MS. CHEUVRONT: And I may be going off a
4 limb here because I haven't talked to it about anybody
5 at the office, but you also asked Mr. Senter if they
6 had looked into other programs or expanding their
7 programs or different ways to work their programs.
8 And I just wanted to say that I'm sure if I go back to
9 the office that we would be glad to -- and it may be
10 me since I'm making this statement now -- to work with
11 the agencies and the utilities to see if there is
12 something that we can do to expand these programs
13 without having to add anything.

14 MR. GILLIS: Perhaps that's something that
15 could be done after an order is issued that could be
16 done as a follow up.

17 MS. CHEUVRONT: Right.

18 MR. GILLIS: Great.

19 MS. CHEUVRONT: Yes.

20 MR. HUELSMANN: Is that all you had?

21 MS. CHEUVRONT: That's all I have, thank
22 you.

23 MR. HUELSMANN: Thank you.

24 MS. CHEUVRONT: So now officially.

25 MR. HUELSMANN: Well, we did that to stop

1 the --

2 MR. GILLIS: That was an unofficial.

3 MS. CHEUVRONT: That was an unofficial. For
4 the fifth and final time, thank you for this
5 opportunity. It might sound like I'm sucking up, but
6 it has really been enjoyable. Though they are formal
7 hearings they seem less formal and it's kind of nice.
8 And it's even nicer to be reassured by each utility
9 and let the consumers hear that there's not going to
10 be a supply problem and they are going to work with
11 the people the best they can.

12 We didn't hear other concerns tonight but we
13 know what they are. And I was going to look in the
14 audience and say, who hasn't heard my closing
15 statement; but unfortunately I see as many faces that
16 haven't that have so I will continue.

17 As the commission found in an LG&E order
18 that they lacked legislative authority to implement
19 such a program which would be similar to the USF, it
20 is our position that the PSC does not currently have
21 the legal authority to acquire any natural gas
22 customers in Kentucky to pay an additional charge each
23 month to be used for a low-income assistance program.
24 As they're aware, earlier this year the Kentucky
25 General Assembly considered legislation, which would

1 have given the PSC this authority to add such a charge
2 to the consumer's bill and it did not pass.

3 We do not think that the PSC can impose an
4 additional charge on residential consumer's bills
5 unless it has been authorized by the legislature.
6 This would also go to any kind of emergency type
7 order.

8 While we appreciate the need for energy
9 assistance to low-income families, we would note that
10 there is an existing program to help low-income
11 families with energy bills, the LiHEAP program. And
12 consideration should be given to using existing state
13 and federal resources to try to increase the funding
14 for LiHEAP before a decision is made to mandate any
15 new fees for consumers who will all be experiencing
16 high natural gas prices. Thank you.

17 MR. HUELSMANN: Thank you. Mr. Hutchinson,
18 do you have anything?

19 MR. HUTCHINSON: Mr. Chairman, Mr. Senter
20 was going to make a very brief closing remark.

21 MR. HUELSMANN: Thank you. Mr. Senter?

22 MR. SENTER: Chairman Huelsmann,
23 Commissioner Gillis, we just want to thank you and
24 your staff for establishing Administrative Case 384 to
25 put a focus, a public focus and attention to the issue

1 of rising gas costs.

2 I think tonight's been a very informative
3 evening. I think we've all learned a lot. And I
4 think it's been a successful hearing in that sense.

5 We look forward to working cooperatively
6 with Public Service Commission, the Attorney General's
7 Office, the various cabinets and community action
8 agencies, our customers, and all willing persons to
9 assist our customers during this winter. Thank you.

10 MR. HUELSMANN: Thank you. I want to thank
11 everyone who came tonight. We appreciate your
12 attendance and your helping us with a very difficult
13 situation that we face.

14 I want to thank the president of Western
15 Kentucky, Conrad Gruber, for an excellent presentation
16 by his people and the help of which they've given us
17 in this regard.

18 Last and certainly not least, we have three
19 cabinets, the Attorney General's Office, the utilities
20 and other organizations working together, and if we
21 can all work together we can make Kentucky a better
22 place to live and that's the purpose of this whole
23 thing.

24 Thank you all for coming. That concludes
25 this hearing and it concludes all the hearings. So

1 the ball is now in our corner and we expect to issue
2 an order in due course. Thank you.

3 -0-